

UNITED STATES DEPARTMENT OF COMMERCE

+ + + + +

EMERGENCY STEEL GUARANTEE LOAN BOARD

+ + + + +

PUBLIC MEETING

+ + + + +

WEDNESDAY

SEPTEMBER 22, 1999

+ + + + +

The Board met in the Auditorium in the Herbert C. Hoover Building, 14th Street and Constitution Avenue, N.W., Washington, D.C., at 9:30 a.m., Jon Orszag, Assistant to the Secretary and Director of the Office of Policy and Strategic Planning, Department of Commerce, presiding.

PRESENT:

JOHN ORSZAG, U.S. Department of Commerce

DON WINN, Federal Reserve

SUSAN WYDERKO, Securities and Exchange
Commission**NEAL R. GROSS**COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

C-O-N-T-E-N-T-S

	<u>Page</u>
Welcome and Introduction by John Orszag	3
Public comment on the Emergency Steel Loan Guarantee Act of 1999	
Testimony of Richard K. Riederer	4
Testimony of Mark Glyptis	9
Testimony of Susan Braden	14
Testimony of Roger B. Schagrin	23
Testimony of Om Sharma	29
Testimony of Andrew Aloe	32
Testimony of James Hill	40
Testimony of John Steinhauer	45
Testimony of Edward Webber	46
Testimony of Fred Rocchio	49
Testimony of Joseph Cannon	56
Testimony of Robert Glause	65
Testimony of Harold Kelly	65
Closing Remarks	75

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

P-R-O-C-E-E-D-I-N-G-S

(9:40 a.m.)

MR. ORSZAG: Welcome everyone. My name's John Orszag. I'm the Director of Policy here at the Commerce Department. I'm joined by Susan Wyderko from the Securities and Exchange Commissioner, and Don Wynn from the Federal Reserve.

We want to thank everyone for taking time out of their day to come here and give their input on this program.

As you know, the President signed the Steel Loan and Oil and Gas Loan Guarantee Programs on August 17. The legislation gives 60 days for the regulations to be promulgated. That gives us till October 18, 28 days from now, to finish them.

We've been working hard on the issues surrounding the legislation, and we see this as an opportunity for the public to give their input on the operations of these two programs, and so we will be listening to you today. Our goal is to listen and find out what you have to say.

We will not be asking questions except to the extent that we will be asking for clarification on a point. If you make a point and it's just not clear

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

to us, one of us may jump in and ask you to expand on it just so that we understand what you're trying to say.

And one other thing is we may rotate up here. There's other staff from the Fed and the SEC and from Commerce here, and we may just do a little rotating, because I know I have one meeting I have to go to.

I think the first person to talk today is Dick Riederer from Weirton, and so I'd like to ask for him to -- if he can go up to a microphone and begin. There's a -- I think right there.

MR. RIEDERER: Thank you, and good morning. It's a pleasure to be here and present at least some of our views, and it's a pleasure to be with the staff of the Board. It is a great pleasure for us to testify on this vital legislation for the future of the steel industry, and thank you for the opportunity.

I am pleased to be joined today by Mark Glyptis, President of the Weirton Independent Steel Workers Union. On behalf of the Company, our shareholders and workers, and the entire Ohio Valley, which depends so much on its steelmakers, we will be

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

forever indebted to Senators Byrd, Rockefeller, Congressmen Mollohan and Nay particularly, and others who have achieved passage in Congress of this legislation.

The idea for this legislation came to me as I was preparing to testify before the Senate Steel Caucus in November of 1998 in the midst of the worst import crisis that ever hit the steel industry, and, for that matter, the economy of the United States, reading about the additional farm blown programs that were passed by Congress as they passed the final appropriation bills, and I decided to include in my testimony the fact that the steel industry was suffering the same effects as the farm community because of the worldwide financial crisis.

The economic collapse of Asia, then the CIS countries, and then the Latin American countries significantly reduced demand for steel in those countries and led them to export their overcapacity at unfairly traded prices to the United States. The result for U.S. steelmakers, including Weirton Steel, was significant cutbacks in production, employment, and changes from profits to losses.

While the import pace has finally slowed

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

due to successfully promulgated unfair trade cases, the damage is far from over. At Weirton, we shut down one of our two operating glass furnaces in December of 1998, and at this point have yet to recommission it.

At one time, we had as many as 1,000 people on layoff. We have suffered financial losses in each of the last four quarters, with cumulative operating losses of nearly \$75 million.

Capital spending, which has averaged over \$80 million over the past ten years, was reduced to \$20 million in 1999 as actual expenditures. And thus far, when we put our plan together for 1999, that capital expenditure was planned to be over \$50 million.

The result of this decrease in capital expenditure may be catastrophic for the Company in terms of staying competitive in the years to come. While we are seeing increased orders and increased prices for certain product lines as a result of the unfair trade cases, pricing still has not recovered.

Pricing is still about half of what we'd lost in pricing since the beginning of this crisis. Therefore, the financial community does not have the confidence in Weirton and companies like ours to give

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

us access to the equity or debt markets.

Just look at the facts. Weirton, a publicly-traded company, traded on the New York Stock Exchange with a significant ESOP component, is trading approximately at \$2 a share, nearly an all-time low for our stock.

Prices of other large public steel companies -- LTV Steel is trading just over \$5 a share. Bethlehem is trading just over \$7 a share. Not only are they at 52-week lows but they are at historic lows.

At these prices for our securities, we have no opportunity to tap the equity markets. Just imagine, our market capitalization and that of our competitors are at their worst levels in history despite the fact that the U.S. is enjoying its longest period of economic expansion in U.S. history.

Demand for steel products based on all-time record production of cars, trucks, in addition to record expenditures for construction, are at an all-time record level. How could this happen to an efficient industry? The answer is clearly the devastation that imports have wrought on the industry.

We have an \$84 million bond redemption to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

make on October 15. We have already secured and allocated funds to redeem these bonds; however, this payment will leave us with precious little operating capital. We cannot find additional financing at rates that would allow the Company to meet its business plan forecast given the damage that has occurred to our balance sheet over the past year. Therefore, the Government Guaranteed Loan Program is vital to Weirton's future.

I know our Counsel, Roger Schagrin has gone over many of the particulars as to what should be contained in the rules and regulations enacting the statute. I would like to make one very important point from Weirton's perspective. All of our previous major financings have been done through the public bond markets. It is easier for an underwriter to issue a bond offering than it is to find a single bank or investment company that would lend a quarter of a million dollars to a company.

Weirton has ample security in the form of property, plant and equipment, inventory, accounts receivable in order to secure these bonds, and we can receive a rate that would allow us to have funds available to resume normal capital expenditures and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

stay competitive.

Senator Byrd clearly intended this legislation to be as broadly construed and as helpful to the steel industry as possible. We have underwriters prepared to package and sell a guaranteed bond offering in the amount required by the Company.

I would submit to you that granting a Government guarantee as presently occurs with industrial revenue bonds and numerous treasury instruments has the same practical effect as a Government guarantee on a loan.

Once again, I appreciate the opportunity to testify and would be happy to answer any questions or clarifications that you might have.

Thank you.

MR. ORSZAG: Thanks. Next up is Mark Glyptis from the Independent Steel Workers.

MR. GLYPTIS: Good morning. My name is Mark Glyptis. I'm President of the Independent Steel Workers Union. I am a rigger by profession and have been employed at Weirton Steel for approximately 26 years. While I am a third generation steel worker, many of our employees at Weirton Steel are fourth generation steel workers. Weirton Steel has been

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

employee-owned since 1983, and at that point in time, Weirton Steel was the largest industrial ESOP in the nation.

I would like to thank the panel for the opportunity to testify here today. It's an honor for myself and the 3,600 union steel workers I represent in Weirton, West Virginia. I am also here on behalf of the Company's thousands of retirees. Their futures depend upon the continued viability of Weirton Steel Corporation.

My purpose in coming before you today is to make a request regarding the emergency steel, oil, and gas loan provision.

First of all, I applaud the Congress and the Administration for taking such positive action on this issue. As you know, the American steel industry has been suffering in the past year from the continue effects of the illegal dumping of steel into American markets. Countries such as Brazil, Russia, Japan, and many others have illegally dumped hot and cold-rolled, and we're now seeing tin plate being dumped what we believe are illegal prices into our markets.

Weirton Steel Corporation, in particular, has been severely impacted by foreign imports in the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

past year. At one point, we had over 1,000 employees laid off at Weirton Steel. That's over 25 percent of our workforce at a time where the demand for steel was an all-time high in this country, there was over 10,000 steel workers laid off in this country.

The crisis in our industry continues; however, this bill along with the recent improvement in steel prices leads me to be optimistic that Weirton can remain a viable company in a vibrant steel industry.

Weirton Steel Corporation is a two-blast furnace operation, but the import crisis has caused Weirton Steel to shut down one of its two-blast furnaces and instead purchase needless slabs from outside suppliers.

I'm here today to urge the panel to consider rules and regulations that will allow eligible domestic steel companies to use monies obtained through the provisions of the Emergency Steel, Oil, and Gas Loan Provision Program in order to start up idle operating units, such as number 4 blast furnace at Weirton Steel. This furnace was shut down exclusively due to the importation of hot and cold roll into our markets.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

In the case of Weirton, such a plan would provide the company with the financial ability to purchase raw materials from suppliers and to order the necessary parts needed to operate the idle number 4 blast furnace. The approximate investment is somewhere between \$20 and \$20 million that is required to accomplish this.

This will return Weirton virtually -- all the laid-off employees will virtually be recalled back to work. More important, such an investment will be financially prudent in as much as it would immediately Weirton Steel's cash flow situation, and, further, this investment would likely could be repaid within a six-year time frame that the bill -- that's included in the regulations of this bill.

In addition to providing work for our laid-off union members, such a logistic move would also improve indirect benefits to the domestic iron ore companies which have also suffered as a result of the illegal foreign steel imports. Thousands of workers in iron ore fields in this country are laid off due to the importation of slabs and other product into our markets. And I must add that those are illegal imports.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

In the past, our American steel companies have learned to deal with ups and downs of the industry that formed the industrial backbone of our nation. The American steel industry and Weirton Steel Corporation in particular have become lean, competitive companies who have engaged in downsizing, cutting costs in order to face the reality of a very tough industry. Further, in order to create an ESOP, Weirton's employees took numerous concessions and made sacrifices in lieu of increased compensation.

And in recent months, union steel workers have been at the forefront of the fight to stop illegal foreign steel imports. Our battle will continue as the Congress resumes its legislative work.

I'm here today to say that the Emergency Steel, Oil, and Gas Loan Provision Program will also help domestic steel companies to maintain our industry while continuing the competitive fight on the global level.

I also respectfully urge the panel to consider the language regarding the start-up of idle facilities to be part of the Loan Provision Program and therefore allow American steel workers to return to their jobs and be able to compete again on a level

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

playing field.

Again, I thank you for allowing me to appear today on behalf of the Independent Steel Workers Union and Weirton, West Virginia, I applaud your work and look forward to your results. I sincerely believe this program will result in a stronger and more competitive American steel industry.

Thank you very much.

MR. ORSZAG: Thank you, Mark.

Susan Braden is next, speaking on behalf of the Gulf States Steel.

MS. BRADEN: Good morning. I represent Gulf States Steel, which is a fully integrated steel mill in Gaston, Alabama, which is about an hour drive from Birmingham, Alabama. The mill has been in existence for almost over a century, and it is the largest employer in that part of the state; there is nothing else there.

And this bill hopefully will enable that not only our steel mill but the communities that depend upon the tax revenues and other benefits that flow downstream from that company to continue to be viable entities.

This is a much more serious issue for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

that part of the country than simply the loss of an employer. The downstream effects are really very enormous, and it's a great tribute to a number of senators and congressmen that worked very hard on this bill that they understood that was true, not only just for our community but for other steelmaking communities.

I believe George Becker testified -- who's the head of the International Steel Workers Union -- testified that for every steel worker job you lose, you basically have five other jobs that are affected in the local economies. And that certainly is true probably to a higher extent in the small community where my client resides.

The nature of my comments this morning are probably more technical than entertaining. They're, I think, set forth in some detail, and I would be glad to work with the members of the staff if there's anything I can do to be of further assistance in this issue.

The points I really want to make are just a few. First of all, in terms of the companies qualified, the only point I would make is that it seems to me that it would be a real travesty if this

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

bill essentially were utilized to assist steel mills who have suffered losses and other things for reasons other than the import crisis. It's quite clear in the entire congressional history. And the reason this bill is there -- and an emergency bill at that -- is because of companies who have suffered because of the import crisis.

The cases that you all are familiar that have been filed before the Department of Commerce certainly are an indicia of where the harm basically -- where to look for the companies and the entities that have been harmed by this situation.

I have proposed, in addition, the defining of three terms in the statute, and let me spend just a minute on that. The word "financing needs" are not described. I have tried to provide a little more fuller, robust explanation of what is included in that.

Certainly, capitalization, recapitalization for expenditures that will essentially help these companies differentiate their products from those in the imports are obviously very important for the future. We certainly don't want to ever be in a situation where we are in harms way

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

again. And if our Company is fortunate enough to receive the benefits of this program, we certainly intend to use a large amount of the money to do sufficient types of capital improvements so that really we hope we'll not really be in the import commodity business any longer.

Needless to say, there is a debt component in each of these companies, and to a certain degree that's going to be different from company to company. Certain companies may need this for what I would short-term debt; others may need it for long-term debt. How that value judgment is made by the Board is something I think you're perfectly capable of doing. But I do think ultimately the exercise is to make these companies stronger so that they don't have to be in this situation again.

The one point that I think we all stand really strongly on is the fact that we want this program to be a success, and we want to help make it a success. We do not want to be back here again, and we do now want to hear testimony year after year later on about why this program didn't work. We want this to be something that people look back upon with great pride.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

The final point that I want to make really goes to a problem in my own company but also was a driving force in this legislation. At the time it was initially offered, Acme, Laclede, and Geneva Steel were in bankruptcy. After that time period, Qualitech and Gulf States Steel went into Chapter 11.

Had this bill been passed at the conference stage when it was in with the Kosovo War effort, we would not have had to go into bankruptcy. It was simply a liquidity issue, and we really literally ran to the wall. We ran out of money.

The companies in bankruptcy, however, have a different situation than the other applicants you're going to be hearing from, and that is this: You are going to be the members implementing this, but the bankruptcy code gives a United States federal bankruptcy judge prior jurisdiction, and in one sense ultimately is a member of this Board.

I have provided Mr. Fee with the names of all five cases and the names of the judges that are pending -- presiding over those bankruptcy proceedings, and I would strongly urge that the staff try to find some vehicle for communicating to the bankruptcy judges to incorporate their views.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

As you know, judges aren't typical ones that would come here and ask to testify. They're usually -- they wait for people to come to them. But I think it's important that you understand their role.

A company in bankruptcy cannot borrow any money to exit or to stay in bankruptcy or anything without an order of a court. And, so whatever you do is going to have to be conditional upon approval, ultimately, by a bankruptcy judge. The Board may issue guarantees, but the guarantees really are not going to be able to be implemented or utilized really until there is going to be a court order.

And in most cases I am sure that the company is going to try to use this as a form of exit financing. No one wants to remain in bankruptcy, trust me, other than I think the bankruptcy lawyers like to have us in bankruptcy. But we really want to get out, and we need to use this program to be able to exit.

And there are some time constrictions on that as well. Obviously a bankruptcy proceeding is an advocacy proceeding, and other parties basically have the right to present views and they're timetables that have to be followed statutorily, which may cause some

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

adjustment to be made by the Board.

So, I would strongly urge that you accommodate that process; recognize it, first of all, and accommodate it in the process that you have, and I think that there's no reason that this cannot run smoothly, but it's not going to be exactly the same as it is for the companies that are not in bankruptcy.

We are not going to be able to move as quickly by virtue of the fact that we have other constraints, not the least of which is the jurisdiction of a federal court to concern ourselves with.

My final two points are on these: It has been suggested to me that the Board may feel that it needs to retain outside experts outside the Government. As a former Justice Department and agency lawyer, I often -- I have some mixed feelings about that, because I think there's a great deal of expertise within the Government collectively.

Should you do that, though, we would strongly urge that you do the type of due diligence -- most of the companies in bankruptcy have seen almost every major advisor that knows anything about the steel market is in one of these proceedings, one way or the other, either on the record or not on the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

record.

In addition, obviously, this is a competitive battle. I mean, this is a competitive battle for who will remain in this market and who will not, and there are other companies that may or may not necessarily be pleased that the companies that are going to benefit from this program are going to be able to do so.

We provide a price constraint in the market overall, and that's an important thing from the Government's perspective. These smaller and mid-size companies basically are really what helps keep prices low in this country when imports are down. We are the fighting ships for the consumers in this country, and there are going to be forces that are not basically want to have us succeed at basically being able to utilize this program or to utilize it in a quick way.

So, that's a factor I think you just need to be mindful of. There's nothing more that needs to be said than that. But we want to be sure that whoever's consulting or advising with you has no interest in any of these other entities. I think that's important for the integrity and the transparency of the process.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

And, finally, obviously, much of the information you're going to be receiving essentially opens the bedrooms of the companies' doors. I mean, you're going to know everything there is financially to know about the companies, their business plans, where they're going to be going to market, who are their customers, where they are. Obviously this has to remain confidential. The Government knows how to handle that in a responsible way. The only thing that we have suggested basically is should someone need to have this information and is able to get a court order to do so, we'd like to have the opportunity to go to court basically and get a protective order, which I think we would be able to do without any difficulty.

Those are my comments. I'm very, very happy to be here. My only -- this is a miracle. You just need to know that there are very few times in life when something happens that is totally serendipitous that no one could have expected. This bill is one of those. I have lived with this from the beginning, as with Mr. Riederer.

The Congressional sponsors of this bill were not just Democrats. Senator Shelby, Senator Sessions, Congressman Aderholt, Congressman Callahan

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

all are Republicans from our state, and they were very instrumental in convincing the Republican leadership -- Senator Lott and the Speaker -- to let this bill go to the floor of both of those Houses, although the leadership was adamantly opposed to this on principle.

But they decided that they would allow the members to speak their voice, because they realized this was more than an issue about individual companies. It really was about infrastructure of communities. And, ultimately, I think that was really the prevailing argument in all of this.

So, we're here with a great deal of gratitude to many. We intend to make this a success.

We want you to be proud of us. We want you to talk for years about the success of this program and what a difference you made in everyone's lives, most particularly those that I represent in Alabama.

Thank you.

MR. ORSZAG: Thank you very much.

Next up is Roger Schagrin.

MR. SCHAGRIN: Thank you. It's a pleasure to appear here this morning before the staff.

Before getting into my prepared remarks on the Steel Loan Program, which I had submitted, I'd like to put

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

the program in a context with reference to an article that was in today's New York Times' business section.

As we all know, particularly those at the Commerce Department and the SEC and the Federal Reserve, yesterday our country announced yet again another monthly record trade deficit -- over \$25 billion in one month. When I started in the practice of international trade some 17 or 18 years ago, we were a little bit flabbergasted that we were running trade deficits that large on an annual basis. Obviously, we've had a lot of growth in our economy and in world trade.

But in this New York Times article, there's a reference to a statement that President Clinton made last week at the APEC Conference in New Zealand. And quoting the article he said, it says that "President Clinton said in New Zealand last week that the United States deliberately allowed its trade deficit to rise in an effort to aid the countries of Asia after the economic crisis that struck the region in July 1997."

So, I'd like to congratulate the President and the Administration for having done such an excellent job of accomplishing their policy of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

making the trade deficit rise in order to help Asia out of its crisis.

The problem, as we know, is that Asia is now coming out of their crisis, but the effects of the increase in the trade deficit, which were so dramatic on the steel industry, on our farm communities, on our oil and gas producers is still having very lasting effects, and that's what Congress is attempting to give some relief to these various sectors. They've done it quite a bit with the farm community; they're now doing it with the steel industry and with the oil and gas industry.

And I think you should -- the Board should keep in mind as it is looking at putting this legislation into a regulatory basis, as you're considering loan applications, that Congress had decided that the Administration has a responsibility to these sectors of our economy who were so badly damaged by this increasing trade deficit, by this huge surge of imports in certain products, particularly steel that came here, that you've got to put this program into effect with some flexibility.

We don't want you to waste the Government's money, as Ms. Braden commented. Five or

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

six years from now when this ends in 2005, we all want to look back with a great deal of pride on this effort.

But in the near term, these companies, many in bankruptcy, many on the edge, many in severe financial distress, many unable to make the normal capital expenditures that they normally make every year, not the new major expenditures, but these steel mills need money being put in them all the time in order to stay competitive. They have had to forsake those expenditures, and their companies will pay for that for years to come, and American consumers will pay for that for years to come with not having as good a steel industry as we ought to have.

With that as background, I think the testimony is fairly self-explanatory. I believe that the legislation itself contains a number of specific requirements for qualification for the loan guarantee.

As a substantive matter, the regulations that you publish should mirror the statutory requirements for eligibility and loan requirements and should leave the analysis and determination as to whether the application meets these requirements to the discretion of the Board. It would be contrary to the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

congressional intent for the regulations to make substantive requirements for eligibility in granting the loan guarantee any more restrictive than the statutory requirements.

Secondly, the Board should publish clear procedural guidelines in the regulations, including timelines so that the process is not overly burdensome, it is transparent, and allows full communication, both public and confidential, between the members of the Board, their professional staffs, and the recipients and lenders that are filing applications.

In addition, it will benefit the applicants and the Board as well as being compatible with the expeditious treatment required by the statute to have very short timelines included in the Board's regulations. The Board should be able to assume that lender applicants have performed due diligence as to the audited financial records of the borrower and the securities pledged, thus reducing the Board's workload and the timelines needed for review.

And with this as broad background, I suggested in the first eight or nine items of my testimony that essentially the regulations parrot word

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

for word the application requirements of the statute -- actually through the first nine.

I added two more areas where the Board may wish to amplify those statutory requirements. First, in terms of the security pledge that the Board could require that applications require appraisals and valuations of that security, and this can include appraisals of property, plant, and equipment, and then the valuations that companies normally have for receivables and inventory.

And, secondly, in terms of the fees for the loans to be collected by the Board, that you establish a sliding scale with the highest fees in terms of the maximum half of one percent being on the smallest loans, and the smallest fees as a percentage basis be on the largest loans. Presumably, the Board's workload is the same on each loan, and in order to cover the Board's expenses, that sliding scale would be appropriate.

As to procedural items to be contained in your regulations, I suggested the following items for your consideration: First, that regulations establish the location and number of copies to be filed of the applications; secondly, there has to be an opportunity

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

for applicants to claim confidential treatment for their business confidential information, which is not otherwise available to the public and the release of which would cause substantial harm to the applicants; third, the Board's regulations should grant the Board and the staff of the Board the authority to submit written requests for additional information to the applicants with specified timelines to respond to such requested information; fourth, the Board should allow itself the opportunity to hold meetings or to hold formal confidential or public hearings which applicants would appear and be questioned by the Board or the Board staff; fifth, the Board regulations should contain specific authority and procedures for the Board to direct the GAO to conduct audits pursuant to the act, and, sixth, the Board's regulations should contain timelines that the Board will render decisions on the guarantee within 30 days of the application unless the Board decides that additional information is required or there are extraordinary circumstances in which case the Board could extend its decision by no more than an additional 30 days.

I would be happy to answer any questions posed at this time or in the future by the Board or

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

its staff, and I very much look forward to the issuance of these regulations and this program getting up and granting loan guarantees on an expeditious basis so that we can get these companies back headed in the right direction.

Thank you very much.

MR. ORSZAG: Thank you, Roger.

Next up is the President and CEO of Riverview Steel, Om Sharma.

MR. SHARMA: Good morning, and thanks for giving me an opportunity to come here and present the steel disaster case.

Riverview Steel Corporation is a reinforcing steel bar manufacturing unit located in Glassport, Pennsylvania, which is the rust belt and, as you know, it died 15 years ago. But still this small company stayed in operation and employs 60 people, though small by Federal Government standards, but we are the second largest employer in Glassport, Pennsylvania. This is a community on the Monongahela River already, as I said, devastated by many mill and other industrial closings over 15 years.

I'll explain to you what we do. We roll rebars. Why I'm saying that is because rebar is a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

commodity which has hit the United States very badly.

We produce three, four sizes in 20-foot, 30-foot, 40-foot. There is a reason why I'm saying that, because the 20-foot is the item which is easily exported to the United States, and we produce that.

Till 1997 when things were good, we produced up to 10,000 tons a month, which is the capacity of the mill. From April 1998 when the slot of cheap foreign bars first began to hit the market, production to meet our market demands slowed down to 4,000 tons. You can imagine from 10,000 tons it came to 4,000 tons.

And then in July we had to shut down. In 1998, July it turned around, but we had to shut down our mill. We could go Chapter 11 also, but we tried our best to make the payments. We were behind in payments to our creditors, but still we did not go into Chapter 11.

We reopened the mill in November. In winter months for rebar business is slow, but we thought let's restart the mill and we'll try to run it. At that time, the scrap prices were down, so we could buy raw material, which our raw material is billet, so we could buy cheaper billets so we could

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

sustain for four or five months.

Then the Federal Government started intervention and at the time we know that we were talking -- we knew and everybody knows that all exporters from other countries were holding their shipments. As they were just sitting, their ships were -- the materials were sitting on the docks as the war machine was sitting and waiting for the orders, and that happened when the bill died. The imports started as the flood gates were opened.

And what has happened in the last two or three months you must have read in the paper, American megamarket, that in July the imports increased like anything. And now in September till today, our company has shipped only 1,500 tons of material as against 10,000 tons. We are talking to people, they say, "Oh, we have all the imports here."

What this program will do -- first of all, this is a -- it will be a help, a very big help to the steel industry, as other people have mentioned.

What we will do, we will try to come out of the 20-foot bar. We will try to make 60-foot bar. We'll make changes with this loan with changes in our mill.

We will make -- we have unfinished mill which we'll

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

make that -- we'll complete that mill; make different product so that we don't compete with imported bars -- imported material.

We buy billets. The billets -- the scrap price goes billets goes up. When the other manufacturers do not have spare billets, they will not sell billets, and we are in trouble. So, we like to -- from this loan, we'll install a melt shop. We'll make our own billets, so that way, we will be most self-sufficient.

Also, as like anybody else, some people have gone on to Chapter 11, as I say, this will help us as a working capital. So, we can -- like in slow months we can buy the raw material, and in the good months we can use that, and by the time the import hits the market still we can compete.

So, these are a few of the things which we'll do with this loan. This is a good program, and as other gentleman was mentioning all the procedures, I would say the procedures should be small, less time-consuming so that before we die we can survive.

Thank you, sir.

MR. ORSZAG: Thank you very much.

Next up is Andrew Aloe from Schenango,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Incorporated.

MR. ALOE: My name is Andrew Aloe. I'm the President of Schenango, Incorporated, a family-owned business located in Pittsburgh, Pennsylvania.

I'd like to thank the Board for providing me the opportunity of being here today, and I've gotten revised testimony that the Board has. In addition, the Board has some diagrams of the steelmaking process and the blast furnace making process that are before you.

Schenango is a producer of coke for the steel industry. We operated a byproduct coke battery on Neville Island just outside of Pittsburgh, and the Emergency Steel Loan Guarantee Act of 1999 will play a critical role in the future of Schenango, its 200 employees, their families, and the community in which we operate.

Schenango was incorporated in 1962, however, the facilities of the company at Neville Island have been operating in some parts for over 100 years. Over the years we have faced many challenges, and I'd like to highlight how this has impacted Schenango.

In 1999 -- excuse me, 1989, when I joined

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

the Company, Schenango operated what would be known as the hot end of a steel mill. At that time, we employed over 1,000 people at four different sites, and we had three different product lines. We operated a blast furnace at Neville Island, which produced liquid pig iron. Our hot metal use was to make a variety of great pig iron into supplier ingot mold foundering.

Our second product line was ingot molds.

Ingot molds used to be the way steel was initially shaped. Continuous casters have since replaced the need for the majority if ingot molds. But at that time we were an ingot mold manufacturer, and we also ran to coke batteries.

Approximately half of our coke was sold to integrated steel companies who did not have their own cokemaking capacity or were short of capacity to operate their blast furnaces. The other half of our production was used in our own blast furnace.

In the early 1990's, Schenango was besieged by a host of troubles. The old platitude that when troubles come, they don't come one at a time but in legions was all too true in our Company's case.

Our blast furnace was near the end of its campaign

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

life and needed to be relined. And even with our strong ingot mold position and healthy pig iron sales, we were not able to raise the necessary financing to reline the glass furnace. This type of program at that point would have been very helpful.

In our part -- in part, our inability to raise the needed financing was attributable to increased price competition from Brazilian pig iron imports, which clouded the future for our pig iron business. As a result, we were forced to shut down our glass furnace and ingot molds foundry located on Neville Island. These closures resulted in the loss of over 400 jobs. Fortunately, the coke we produced from our own blast furnace found a home in the integrated steel market, and we continue to operate three other ingot mold foundries.

Our largest ingot mold competitor went out of the business, and for a short period of time, we enjoyed a majority of the market share in North America for ingot molds. Unfortunately, this did not last too long. With the low cost labor, the cheap entrance fee to its operating assets, our new competitor in the ingot mold business was successful in eliminating whatever minimal operating profits we

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

had, theretofore realized net product line. This factor coupled with a recession in the steel industry and a growing environmental concern attributed to numerous problems at Schenango.

Ultimately, Schenango was compelled to file protection under chapter 11 in the U.S. Bankruptcy Code in December of 1992 in order to protect its remaining parts of the business. During the course of our bankruptcy, we permanently shut down our second coke battery and closed or sold our remaining ingot mold foundries resulting in additional losses of good-paying jobs for hardworking individuals.

Bankruptcy is something that I wouldn't wish on anyone. Retiree medical benefits were eliminated and all Schenango employees took a pay cut.

We emerged from bankruptcy in April of 1994. Schenango was now a leaner company with 200 employees, the majority of which are members of the United Steel Workers of America.

Schenango currently produces 360,000 tons of coke, which requires over 500,000 tons of coal. Much of this coal comes from West Virginia and Pennsylvania and represents coal purchases of over \$18

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

million per year. All of our coke product is sold to the U.S. integrated steel industry.

Now that I've told you a little bit of the history of Schenango, I'd like to elaborate on why I'm here to comment on the Loan Guarantee Program. As you're aware, the Emergency Steel Loan Guarantee Act of 1999 has three criteria that must be met for a company to qualify for the program.

The first criteria of being incorporated under the laws of any state of course is not an obstacle. However, the requirements that a company be engaged in the production and manufacture of a product defined by the American Iron and Steel Institute as a basic steel mill product and have experienced layoff, production losses, or financial losses since January of 1998 may pose a problem for our company's eligibility depending on how these criteria are interpreted.

Coke is not specifically listed as a steel mill product by the American Iron and Steel Institute, yet steel could not be made via the blast furnace process without coke. I would also like to point out that the act specifically allows for the treatment of an iron ore company as a qualified steel

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

company even though it is questionable whether iron ore is a basic steel mill product under the definition.

As part of my testimony, I'm submitting a letter from the American Iron and Steel Institute that provides, in part, that coke is an essential part and component of basic steel mill products.

Another reason to include coke under the definition of basic steel mill product is the unfair practical effect of excluding it. Integrated steel producers, as a group, are the largest sellers of blast furnace coke in the United States and coupled with imports from Japan and China represent my company's chief competition.

As integrated producers, they're entitled to the benefits of the act. It is difficult to imagine a more unintended and unfair result and to apply the law differently to operations that produce the same product by the same method.

Under the law, an integrated steel mill company that operates a coke batter could apply for a loan which then could be invested in their coke production facilities. These same operations would then be in direct competition with my company.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Also, import records show an ever-increasing amount of Chinese coke entering the United States at extremely low prices. While we have benefited from a long-term contract business, it remains to see how we will be able to compete against Chinese coke that is produced from coal subsidized by the People's Republic of China, produced by highly-polluting beehive coke ovens, and in some cases using child labor and prison labor.

These prospects have made it difficult to borrow funds to invest in our plan. We have a number of capital projects which would improve our competition position, yet no one wants to lend to a coke producer. A variety of lenders have told us loud and clear that they're willing to take a credit risk on Schenango; they're not willing to assume the risk of the growing presence of the Chinese in the coke market.

Accordingly, Schenango's situation is evidence of the expressed congressional finding that the surge in imports has caused an inability to obtain credit for continued operations and reinvestment in facilities.

In addition, Schenango has a license

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

agreement for a new environmentally cleaner and more efficient coke-making process. The technology was the subject of a Department of Energy grant, and it is now ready to be commercialized. The successful commercialization of this new coke-making technology will help integrated companies move to the next level of coke-making technology and thereby assist in their future security and promote reinvestment in the blast furnaces.

It's my understanding the Emergency Loan Guarantee Act of 1999 is to be read as broadly as possible. We hope that the regulations being drafted by the Board will clarify these matters and permit Schenango to qualify for the program.

Thank you.

MR. ORSZAG: Thank you very much.

Next up is James Hill from Visions Metals -- Vision Metals.

MR. HILL: Good morning. I'm Jim Hill, the President and CEO of Vision Metals, a smaller private company with about \$120 million in annual sales.

I would like to thank the panel for the opportunity to appear at this public hearing on the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Steel Oil and Gas Loan Guarantee bill. This bill is critical to Vision Metals. It will provide reasonable borrowing capacity and the necessary financial resources to compete effectively in the global marketplace.

Vision Metals is a specialty steel tube company with manufacturing facilities in Michigan and Texas. Our plants have origins dating back to the 1920's and the 1950's and provide a variety of products that serve the electric utility, petrol chemical, oil and gas, agriculture, appliance, defense, and automotive industries among others. Our employees are members of the United Steel Workers at both plants.

The company has been significantly damaged during the past 15 months by a slowdown in worldwide growth, a severe curtailment in the oil and gas exploration and processing segment, and a massive surge in dumped and subsidized tubular steel imports into the United States.

Our sales for the first ten months of fiscal year '99, which for us began in November of '98, are down 29 percent from the same period last year. Pre-tax income during the same ten-month period

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

has fallen from \$3.9 million last year to a significant loss this year.

Vision Metals joined three other domestic producers in June of 1999 in filing petitions against imports of carbon and alloy, seamless, standard, line, and pressure pipe less than four and a half inches in diameter from Japan, Romania, South Africa, and the Czech Republic. The ITC unanimously ruled on August 13 that there is a reasonable indication that the U.S. pipe and tube industry has been materially injured by these imports. The cases are now at the Department of Commerce where preliminary rulings are expected in mid-December.

You may be aware that seamless pipe and tube products have the highest import rate of all finished steel products. For the first six months of calendar '99, our three principal markets have the following import penetration rates: line pipe, 59 percent; mechanical tube, 31.8 percent, and pressure tube, 72.6 percent.

Vision Metals has had to reduce operating expenses during the last ten months in a variety of ways, many of which have been extremely painful to our employees who remain our most valuable asset.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Forty employees were laid off between November '98 and February 1999. Ninety additional employees were induced into early retirement and have not been replaced. Wages have been frozen for all salaried employees since November of last year. Operating expenditures for supplies, repair and maintenance, consultants, outside service providers, and selling and administration have been severely curtailed.

Capital expenditures have also been significantly reduced since July of 1998. Our latest estimates detail that well over 50 percent of our planned capital spending has been deferred out into the year 2000.

We have a hot mill modernization capital project being completed right now at our Gulf States site's tube facility in Rosenberg, Texas. It commenced in September of 1997, well underway -- and is well underway before the 1998 import surge and was impossible for us to defer.

This \$30 million project has not only replaced worn out equipment but is vital to improving quality, expanding our size capabilities, and lowering manufacturing costs. It will lessen our dependence on

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

commodity products shipped out of this facility. This project had borrowing lines of credit in place to finance the purchase of equipment and construction and could not be cost-effectively deferred.

The improved dimensional tolerances and the lower production costs will equip the company with a truly modernized world class steel tubing mill. The mill is just now coming on line as our order backlog remains low but will provide significant marketing and cost-saving opportunities well into the future.

Due to the surge of imports, declining market conditions, and reduced order and shipment activity, the company failed to meet its loan compliance ratios in January 31 of '99 and again this August 31. Our fixed charge coverage ratio was failed on August 31. These ratios measure our ability to cover our operating expenses, debt retirement obligations, and capital expenditure requirements.

During April of '99, the first amendment of our credit and financing agreement was resolved with some deferral on debt retirements but with premium interest rate charges on all outstanding debt.

We are currently awaiting a cure of waiver on the latest debt compliance failure.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

The banks continue to work with us by keeping some borrowing availability open under a revolving line of credit, which is secured by inventory and receivables. However, this limited line of credit availability does not provide the financial resources necessary to operate the business while economic conditions remain affected by unfairly traded imports and while we are bringing on our not hot mill modernization project, which will be complete this November.

Our average borrowing rate for August was 10.3 percent and is likely to rise further based on our August 31 compliance failure. This severely impedes our ability to meet our other non-interest obligations.

All of Vision Metals fixed assets are placed as collateral for our senior debt, while accounts receivable and inventory are collateral for the revolving loan. Since we have no remaining assets to pledge for new borrowing and our existing financing is at premium interest rates, we will seek to replace our entire borrowing and add an additional \$5 million in borrowing capacity. The securities currently pledged will be used as security for the Government

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

loan. This will ensure our ability to survive the depressed economic conditions that persist today, while building a stronger plan operation that will be able to compete effectively with the best domestic and international steel operations tomorrow.

We wish to participate in the Government Loan Guarantee Program. Vision Metals and its 600 plus employees will continue to devote their energy to ensure the company's successful future. Thank you for your time.

MR. ORSZAG: Thank you very much.

Next up is John Steinhauer, the Counsel of CSC, Ltd.

MR. STEINHAUER: Good morning. My name's John Steinhauer. I represent CSC, Ltd. a special bar quality bar manufacturer in Warren, Ohio.

CSC has over 1,000 members represented by the United Steel Workers. CSC is in the process of \$100 million capital improvement project, and I have a couple of comments that are different than what were on the letter.

The first one is, since this is an industry-wide crisis, which is an industry-specific, not a company-specific, problem, I would urge the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Board to consider that more companies qualify and not less; that the Guaranteed Loan Program should focus on supplemental financing and not primary financing.

Then on a procedural basis, as the other speakers have indicated, I would encourage the Board to consider simple and short regulations with flexible requirements which mirror the statute and then have a timely approval process, because these loans are critical to the survival of the companies involved, such as a 30-day time period for approval.

Thank you.

MR. ORSZAG: Thank you very much.

Next up is Edward Webber from Acme Metals.

MR. WEBBER: Thank you for the opportunity to speak to you and testify in regards to this legislation and the regulations which you'll be promulgating in connection with it.

Acme Metals is a one million-ton annual capacity hot rolled carbon and alloy steel producer located in Riverdale, Illinois. We currently have approximately 1,400 employees in the steel company, down substantially from employment in January of 1998.

By the fourth quarter of 1998, Acme Steel

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

was operating at approximately 62 percent of capacity due to the flood of low-priced and unfairly traded imports. And I know that's not something that you can address here today, but the Loan Program is trying to address this problem by providing financing opportunities for companies who have suffered from this as Acme has done.

As a result of this substantial import flood, in September of 1998, Acme Steel, its parent company, Acme Metals, and several of its other operating subsidiaries had to file bankruptcy in the U.S. District Court of Delaware. We're coming up to very closely now on one year in the bankruptcy process; in fact, on the 28th of this month, it will be exactly one year. This is an extremely difficult process for any company to go through, as Mr. Aloe has indicated and some of the parties who have testified have indicated.

The need for flexibility in this regulatory scheme is essential for companies such as Acme who are in bankruptcy. The process is long and difficult, and I won't go through the details, but the process of exiting bankruptcy is also a very long and complicated process. Probably, on average, it takes

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

somewhere between three to five months for a company normally to exit the bankruptcy once you have your business plan and your plan of reorganization ready for submission to your creditors, process of going through notice and hearing, opportunity for people to come in and comment upon it. You have to prove to the bankruptcy court in order to exit bankruptcy that you are a viable company, that you will not be in what they call chapter 22 -- that's chapter 11 twice over within a short period of time -- and, consequently, it is essential that the companies, particularly those in bankruptcy, have the flexibility to use these funds in the best way possible for them to exit bankruptcy. This may include funding existing capital rehabilitation projects possibly for new capital improvements and to aid in the refinancing of existing debt as they exit the bankruptcy process.

I've made some comments in writing, which I've submitted to the Committee, and I hope that you will consider those. As I said, Acme is a relatively small company by industry standards. We're located in Riverdale, Illinois. It's a very small community, about 15,000 people. Acme Steel makes up approximately 30 percent of its tax base.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

If Acme were forced to liquidate as a result of a chapter 11 process, which we do not believe is going to be the case -- we have made substantial progress in the year that we've been in bankruptcy, and we hope that the year 2000 will provide for an exit from bankruptcy as a viable company, with the assistance of this Loan Program -- but if devastation happens, if the worst happens and it results in liquidation, the workers and the community in Riverdale would suffer substantially from a loss of a company like Acme, which is true for many of the companies who are here today.

Thank you for the opportunity to pass on my comments.

MR. ORSZAG: Thank you very much.

Next up is the President and CEO of Northwestern Steel and Wire Company -- and I'm sorry if I have mispronounced your name -- Fred Rocchio, and Dick Percycocoe, the President of United Steel Workers is going to join him.

MR. ROCCHIO: Thank you.

Good morning. I'm Fred Rocchio, President and CEO of Northwestern Steel and Wire Company in Sterling, Illinois. This is Dick Percycocoe.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

Dick is the President of the United Steel Workers of America, Local 63.

I ask that the written copy of my testimony, which we filed with you earlier, be included in the hearing record.

We're here today to convey the critical importance of the Emergency Steel Loan Guarantee Act of 1999 to Northwestern. If you take only one thing away from these hearings today, let it be that prompt implementation of this law is vital, because there is a critical need for the financing opportunities this all offers now.

We congratulate you on the speed with which you have scheduled these hearings and ask that your focus continue to be on taking whatever actions are necessary to cause the guarantees to be issued promptly within the next 60 to 90 days.

Northwestern Steel urgently needs the relief offered by the Guarantee legislation. In many respects, we offer a case study for the industry's need for the legislation.

Let me give you a brief introduction of Northwestern Steel. We were founded in 1879, and we were founded as the original mini-mill and a producer

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

of light and medium structural steel products and wire rod. We pioneered the use of electric arc furnace steel-making, and we were the first mini-mill installing the first electric arc furnace in 1936.

Sterling is a company town in the best sense of that phrase. Northwestern Steel employs approximately 1,500 active employees, of which 1,200 are represented by the United Steel Workers of America. We have approximately 2,000 active retirees, and we provide benefits to over 2,600 men and women through the retirement program. We also provide health care benefits to over 8,500 employees, retirees, and dependents.

We're the largest employer in northwestern Illinois and the single largest consumer of power from our electric utility. In terms of payroll, pension payments and health care coverage alone, we contribute over \$120 million annually to the northwestern Illinois economy.

Without attempting to quantify our contribution to our community, it's obvious that the local grocery stores, hardware and department stores, filling stations and banks rely on Northwestern Steel and its employees for a significant percentage of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

their business and that we're a vital part of the northwestern Illinois economy.

Because of the age of our facilities, in 1998 we embarked on a modernization program intended to, one, completely upgrade our production facilities; two, lower our operating costs, and, three, position our business to compete efficiently in today's steel industry.

Among the key components to this modernization program are a new collective bargaining agreement, which we're implementing today and constructing a new structural mill, which replaces our existing facilities. With the exception of obtaining financing for our modernization plan, which I will discuss in a minute, each phase of our modernization plan is being implemented.

Unfortunately, during the last fiscal year, our financial condition deteriorated drastically because of the influx of low-priced and unfairly traded steel imports. Our net earnings from ongoing operations decreased from a profit of almost \$42 million in fiscal year 1998 to a loss of almost \$10 million in fiscal year 1999. Our sales price per ton decreased by over 30 percent in most of our product

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

lines, and our total shipments declined by a third.

Because of our current financial condition and the softness in the credit market for the steel industry in general, it is currently impossible for us to obtain financing for our modernization projects.

All of us at Northwestern have fought back aggressively against the surge of low-priced, dumped, and subsidized imports in our core product areas. The Department of Commerce is actively involved in the trade actions we have filed. In addition to the strong enforcement of the trade laws, however, we urgently need the Guarantee Program to help alleviate the problems the import crisis has caused Northwestern.

Your mission today is developing the regulations and procedures to implement the Guarantee Program. We respectfully urge you to consider the following: First, the goal of the Guarantee Program, in accordance with the spirit of the legislation, should be to make financing available to steel companies that, like Northwestern, are currently facing financial difficulties but will be economically viable after an influx of capital. This means

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

guarantees should not be issued to companies that are capable of obtaining financing on commercially-reasonable terms or companies that have no reasonable prospects of becoming economically viable even with the guarantee.

Second, as the title legislation indicates, Northwestern is in a state of emergency now. The Program needs to be implemented so that guarantees are issued immediately and not next year.

Third, the Program should be flexible enough to allow guarantees of either bank debt or corporate debentures.

Fourth, to be eligible under the Program, an applicant should be required to demonstrate that if a guarantee is issued, the company will be competitive in the markets it currently serves, the project will create or save jobs, and, further, the Board should give substantial weight to the effect of the proposed project on the local economy. In this regard, the Board should give special consideration to companies operating in rural areas or other areas in which there are not a large number of alternative employers.

Fifth, like our modernization project, eligible products should satisfy certain threshold

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

criteria. Projects should be primarily for capital improvements or capital replacements. Projects should be aimed at modernizing and improving productivity rather than adding capacity, and applicants should be required to demonstrate that the proposed capital improvements are both technically and economically feasible.

As I stated earlier, Northwestern Steel offers a case study in the need for the Guarantee law, and our current situation highlights just the type of financial need the Guarantee bill is intended to alleviate. We have developed or are trying to implement a technically feasible, financially responsible capital expenditure project. If implemented, it will allow us to become a low-cost, competitive producer over the long term with no union decertification or wage cuts and with a positive impact on the western Illinois economy.

Northwestern has been unable to obtain financing for its modernization project due to conditions in the credit markets and the severe damage caused by the onslaught of unfairly traded steel. Unless we receive a guarantee under this Program, we do not know when, if ever, we will be to obtain the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

financing required to build our new mill and begin operating under our new collective bargaining agreement.

Our inability to modernize will surely result in the eventual and unnecessary failure of our company, and such a failure would be devastating to our employees and retirees and all of the western Illinois economy. In short, ladies and gentlemen, we need help, and we need help now. If we get the help we need, I assure you, you will not be disappointed with the results.

Thank you.

MR. ORSZAG: Thank you very much.

Next up is Joseph Cannon from Geneva Steel.

MR. CANNON: Good morning, and thank you very much for taking your time to hear us come and be supplicants before you. We really appreciate the opportunity to appear before you.

Geneva Steel is -- I'm the Chairman and CEO of Geneva Steel. We're an integrated steel company located about 45 miles south of Salt Lake City, Utah. We produce hot rolled plate, sheet, and pipe for sale primarily in the central and western

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

United States. Our capacity is about two million tons. We're, like many people, not producing at capacity right now, but historically we've almost always produced up to our capacity of around two million tons. We have, including some employees who are on layoff, about 1,900 employees.

Geneva became an independent company in 1987 when we acquired the mill from U.S. Steel. Prior to the acquisition, U.S. Steel operated the mill from 1944, when it was built as part of a war effort. When we acquired the mill about 12 years ago, it was in dire need of modernization. Since that time, Geneva has spent about \$600 million for plant and equipment to modernize and maintain the production facilities.

I've included a slide -- I'm not going to spend all the time on my testimony on the slide -- but basically we modernized virtually every aspect of the production capability of the equipment and the production process. We increased capacity during that time; we increased our ability to produce hot metal, and just in general we have substantially taken what one steel industry analyst called from a mastodon to a maserati. We went from a very primitive steel mill to a very efficient new mill.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

In early 1998, as we concluded our modernization, we basically set production records nearly every facility in the plant. I won't go through and explain everything that we did but just to say that essentially our aim was to optimize around our ability to make wide plate. We are a highly efficient plate producer. A recently completed benchmarking study conducted by a third party, but on behalf of Geneva, indicates that with respect to our prime plate products, Geneva is a low-cost producer.

Additionally, we modernized our workforce. We have significantly reduced our administrative and managerial staffs through redefining work processes. We've entered into a very good and workable cooperative relationship with the union. We have a partnership, what's known as a union management partnership, with the United Steel Workers that has facilitated substantial workforce reductions, while providing employment security for the remaining employees.

I'm very proud of Geneva's accomplishments. We've done a great deal to assure that we will be a world class competitor long into the 21st century. Our modernization, however, came at a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

very substantial cost. Like other steel producers, we incurred great debt to raise the capital for modernization. We justified this investment by the fact that we believe we could become, as I mentioned, a low-cost, high-quality producer of plate markets in the United States. We believe that we have substantially achieved that goal. However, the financial returns expected from these efforts have so far not materialized primarily -- and you've heard, and you're going to hear endless more discussion on this anyhow -- because of the astronomical steel import situation in 1998. However, leading up to that steel import crisis, we were making money, and we were setting all kinds of production records.

So, the modernization actually worked, but when you're slammed with about a 50 percent reduction in your production and about a 30 plus percent reduction in your prices, which came in a very quick time period, it really damaged our ability to keep earning money. We basically had to cut our production level from two blast furnaces to one blast furnace. We laid off about 500 workers.

We also, during that same period of time, completed a very painful downsizing. I mentioned

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

earlier about our administrative staff, but we cut our administrative staff by more than a third, and our operating management was reduced by approximately half. These human costs were devastating to many people. As other steel companies have said, we are a very substantial employer in our area, one of the largest employers in the state of Utah and a very substantial contributor to the overall total personal income of the state.

Eventually, we were forced into chapter 11 bankruptcy because of our inability to meet our interest payment obligations, and we have been in chapter 11 since February 1, 1999. However, though it's very painful, as others have said, being in chapter 11 -- I've told friends actually just to shoot me if this were ever to happen again; I really don't want to go through it again -- it's, actually, the medicine can be very helpful.

We expect to emerge as a much more viable company. We've already created an extremely competitive mill. The permanent labor reductions, which we've already achieved, will save the company between \$30 and \$35 million a year. I think a very important point to state, though, is that as part of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

the reorganization process, we expect to shed about \$400 million in debt and debt-related securities, which will likely be converted to equity in the company giving us a much more stronger balance sheet going forward.

Finally, the company plans to install a walking beam slab heating furnace, which will significantly improve our operations. Basically, it will cost about \$45 million, but the annual benefits to the company are expected to be \$30 to \$35 million a year.

Our plans for emergence from chapter 11 make me cautiously optimistic. These plans, however, are contingent on two things. First, the steel market must stabilize. We see signs that indicate that that's happening -- pricing is beginning to improve, orders are increasing. We have restarted our second blast furnace, though we're not up to full production capacity.

But the second important aspect of getting out of chapter 11 is the financing necessary to emerge from bankruptcy. This financing will provide -- is needed to provide liquidity to fund ongoing operations as well as capital improvements and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

maintenance. The Emergency Steel Guarantee Loan Program is a critical element of our financing plan.

The Program will enable Geneva to obtain financing on terms and amounts to meet our needs. Without the Program, procuring such financing in a timely manner will be difficult if not impossible. For this reason, I am here today to share my views with respect to the implementation of the Program.

In many respects Geneva Steel is a poster child for this legislation, and our name is even mentioned in the legislation itself. Based on my understanding of the statute and its legislative history, the Program was specifically intended to assist companies like Geneva Steel in securing a long-term future.

Now, your attention today is focusing on the specific regulations. Let me just touch on a few aspects of those regulations. First, the Program requires that an applicant have experienced layoffs, production losses, or financial losses since the beginning of the steel import crisis. Obviously and unfortunately for our situation, we qualify for meeting those conditions. Given the limited resources available in the Program, the Board should, when

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

reviewing the various applications, consider the relative magnitude of these adverse consequences and their connectedness to the import crisis. If the Board does so, I'm confident that Geneva will fair well.

Second, the Program requires that the Board approve or deny each application as soon as possible. As has already been mentioned here, timeliness is an indispensable element of the Program.

As the market recovers, we anticipate exiting from bankruptcy in the relatively near future. If our application is not timely acted upon, the Program will be for us too little, too late.

At the same time, the Program must build in sufficient flexibility and timing so the companies who are in chapter 11 can comply with the applicable requirements of the bankruptcy process.

Third, the Program requires that with respect to any applicant credit is not otherwise available to a company under reasonable terms and conditions sufficient to meet its financing needs, as reflected in its business plan. This requirement should be taken seriously. As a chapter 11 debtor attempting to emerge from bankruptcy, Geneva is in a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

position to meet this requirement. So, given your limited resources in the program, you should focus on companies like Geneva who are truly in this situation and not on companies who would like to avail themselves of the Program merely for the convenience or to reduce otherwise acceptable borrowing costs.

Fourth, the Program requires that the prospective earning power of the applicant, together with the character and value of the security pledge, furnish reasonable assurance of repayment of the loan to be guaranteed. I firmly believe that Geneva's prospects and business plan that we already have in place will satisfy this requirement. But the Board should be mindful of the fact that the entire purpose of this program is to assist companies which have problems of credit-worthiness. Therefore, any regulations that address this particular requirement should not be so conservative that they defeat the very purpose of the Program.

Fifth, the act requires that each loan guarantee contain affirmative and negative covenants, together with the security for the loan, to be guaranteed. The Board should be cognizant of the fact that the security requirement, if not properly

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

applied, could severely handicap the company's future ability to raise capital.

So, for example, most senior secured debt instruments allow the debtor subject to certain covenants and tests to subsequently procure additional secured debt of equal priority. Without this covenant, once a company issues senior secured debt, the company would be precluded from pursuing additional senior secure financings even though adequate security exists. So, to the extent that the regulations address the security issue, we urge that they be sufficiently flexible to allow the Board to accept senior -- or to accept security without unduly hamstringing the applicant from subsequent financing.

Finally, the act requires that no loan guarantee may exceed 85 percent of the amount of the principal of the loan. In the case of a company such as Geneva, maximizing the percentage of the loan guarantee will be critical to achieving the favorable financing that we're looking for. So, consequently, we urge that the regulations should provide sufficient flexibility so as to facilitate guarantees in the maximum amount when justified by the circumstances.

Just in closing, I'd really again like to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

thank you very much for hearing this. This could be historic for many communities around the country, including particularly our community out in Utah.

Thank you very much.

MR. ORSZAG: Thank you.

Next up is Robert Glause. Is he not here?

MR. GLAUSE: Yes, thank you.

Our company is smaller than most of the companies represented here today, but our problems are the same. With this Program, we will be able to continue to forge ahead well into the 21st century.

Thank you very much.

MR. ORSZAG: Thank you.

Next up is Harold Kelly who is a consultant to Republic Technologies International.

MR. KELLY: Mr. Chairman, ladies and gentlemen of the panel, I do represent Republic Technologies International. Formerly, I was Executive Vice President and General Counsel of Republic Engineered Steels. It's one of the predecessor companies of Republic Technologies. In a moment, I'll briefly describe the make-up and business of Republic Technologies.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

First, however, let me apologize to you for not having prepared typed copies of my statement for distribution. Because of a number of conflicting factors, not the least of which was Hurricane Floyd, since I now live in Hilton Head Island, an evacuation caused my decision to appear and my preparation to be suspect, but I will prepare and submit to you for the record.

Very generally and for purposes of our discussions, Republic Technologies International was created in September 1998 when the Blackstone Investment Group acquired the stock of Republic Engineered Steels and later merged it with Bar Technologies, Inc., a company it already owned, and with Bliss & Laughlin Steel, a coal finished bar producer, which it also owned.

In the summer of 1999, Blackstone acquired U.S.S. Colby Steel Company, thus Republic Technologies now consists of the combination of the assets of the Republic Engineered Steels, Bar Technologies, U.S. Colby, and Bliss & Laughlin. It is the largest producer of special bar quality steel products in the United States. These round, square, and other shaped bars are highly engineered to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

extremely extracting customer specifications.

SBQ -- standing for special bar quality -- SBQ's products are high-quality, hot-rolled, and cold-finished carbon and alloy steel bar and rod used primarily in critical applications in automotive and industrial equipment. These bars have precise metallurgical content and quality characteristics. Its customer list -- Republic's customer list includes the most prestigious companies in the U.S. and the world, including General Motors, Ford, Daimler-Chrysler, Caterpillar, American Axle and Manufacturing, Honda, Mascotech, and DRW.

Virtually all of these companies have precertification procedures to assure delivery of the highest quality steels. It takes years in most cases to get these certifications, and Republic has them.

Thus, the customers are vitally dependent on Republic's continuing supply of quality steels. Republic's operations are also far-flung with plants in Ohio, Illinois, Pennsylvania, New York, Indiana, Georgia, Maryland, Connecticut, and Canada. Therefore, not only are many key U.S. manufacturers dependent on Republic's ongoing viability, but many key states' economies are likewise relying on the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

continued operations of Republic.

It's important for me to say at this point that Senator Robert Byrd, his Senate and House colleagues, as well as President Clinton demonstrated superior insight into the problems facing much of the nation's heavy manufacturing sector by enacting the Emergency Steel Loan Guarantee Act of 1999.

The steel industry, as has been repeated here, often has had great difficulty in recent years in attracting needed capital at reasonable costs to modernize and remain competitive in the marketplace.

On the contrary, the investment community and to some extent our public policy-makers are having a love affair with so-called e-commerce, high tech, and related sectors of the economy. Companies of the dot com genre with comparatively small revenues and scant, if any, profits or even prospects of profitability now have market capitalizations far in excess of large asset-based, long-established, heavy industrial companies.

These latter companies, the manufacturing base in many if not most instances have substantial revenues, cash flow, and at least some profitability.

Admittedly, their earnings are not spectacular and in

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

some cases marginal, yet they do produce a product critical to our economic infrastructure. They have established blue-chip customer lists and importantly are one of the major consumers of the produce of the e-commerce and high-tech companies. Indeed, the steel company of today is a high-tech company. Its operations, from raw materials assemblage all the way through to customer services, are controlled by sophisticated computers and other electronic marvels.

One cannot deny the appeal of the e-commerce investment. With the meteoric rise of stock values within hours and days of market entry, clearly investors seeking the highest and fastest possible return on their investment will gravitate quickly to such stocks. Therefore, with the current irresistible competition for equity dollars presented by the high-tech and other electronic business sector, steel, for the most part, must rely on high-cost debt to raise capital to fund its operating and modernizing requirements.

Your charge, of course, is not to completely rectify this dangerous imbalance in the allocation of capital resources. The financial marketplace must ultimately do that. Certainly,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

however, Government can play a roll in educating investors to the need for a financially strong, heavy manufacturing base in this nation.

This Program, which provides assurance of guarantees to investors from the Federal Government, begins to level the competitive field for investors' dollars in the steel industry. Your role in allocating the guarantees among various applicants thus becomes vitally important. Steels' need to begin capital improvement projects is urgent.

Republic has some of the oldest and some of the newest steelmaking and processing equipment in the industry today. It has a vital need to continue its modernization program, and it will proceed to do so if it can find the money to accomplish its plans.

Within the last several weeks, Republic marketed \$425 million worth of securities, almost all of which had to be used to pay off existing debt of the various companies that now make up Republic. The cost of that debt was significant, approaching 14 percent.

To fully satisfy our customer needs and demands, Republic must build a new, large diameter bar rolling mill, purchase and install new equipment in its cold-finished operations as well as in other parts

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

of its hot rolled steel business -- pardon me for my fumbling.

Funding capital for steel projects is at best challenging, at worst impossible, but mostly very expensive. Likewise, one must resort to a variety of creative methods to do so. Bar technologies, for example, was fashioned from loans, grants, and a variety of other financial arrangements from local and state governments. Republic Engineered Steels, immediately prior to its purchase by Blackstone, was seeking to build a state-of-the-art steelmaking and rolling mill complex to replace 1920's to 1950's vintage equipment.

In an attempt to find the money to do so, we had to explore state and local port authority funding arrangements whereby the authority would build the facility and lease it back to Republic. We worked with state air quality authority agencies to finance a major portion of the facility. We negotiated with the Tennessee Valley Authority, a variety of local funding sources were explored. We undertook the tap into suppliers and customers. Simply stated, we had to go to any source of funds which did not command exceedingly high interest costs well beyond our

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

ability to pay.

In short, many steel companies making products absolutely critical to our economic and national security find it very difficult to obtain capital from conventional sources under reasonable terms and conditions and at rates at which, in my opinion, the Loan Board would find reasonable.

My final points. It would be presumptuous of me to suggest to you experts in the field of public administration what procedures you should follow in processing applications and deciding upon allocation of loan guarantees. Nonetheless, having said that, I respectfully submit the following thoughts: One, I urge you to act expeditiously in developing the regulations under the Program and, equally, to move with all deliberate speed in acting on applications. Time is of the essence. Republic's capital projects are needed now.

Two, in considering whether credit is available to a company under reasonable terms and conditions, you should carefully weigh the need for the most streamlined production facilities available, the tremendous cost to those facilities, and the necessity for the lowest possible finance costs

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

associated with that construction. In other words, by passing this legislation, Congress and the President have said, "These hard-pressed steel companies are important for us to help, and we do so, in part at least, by providing capital at reasonable costs."

Three, the procedures for obtaining guarantees should be straightforward and as simple as possible. Most of the companies who potentially qualify for these guarantees have endeavored to take costs down in all ways possible, including reducing staff dramatically. They don't have legions of people prepared to submit massive paperwork.

Four, assess the importance to the national economic and military security of each individual applicant company. Look at what the potential consequences would be if a company is unable to install new equipment and modernize because of a lack of sufficiently-available, reasonably-priced capital.

Finally -- and I'm reluctant to do so -- but I must respectfully disagree with earlier admonitions that import factors should be the driving force in allocation. Imports have impacted Republic and are critically important, but imports have been a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

major problem for this industry for two decades. There are other public policy and related factors which have contributed to the economic distress of steel companies. Thus, I would submit imports should not be your sole gauge in making your determination but only one of the factors.

This is an important Program. Republic and the nation will potentially benefit from it. Accordingly, we appreciate the opportunity to appear here today.

Thank you.

MR. ORSZAG: Thank you very much.

Harold was our last scheduled speaker before we adjourn. I was just wondering if there was anyone else who thought they were coming here to speak and haven't been called on for the steel part? We're coming back at 1:30 to listen to people who want to provide input on the oil and gas side.

Okay, I want to just let Don and Susan make some short comments.

MR. WINN: I want to thank the witnesses for being here this morning, and I would -- we very much appreciate your testimony as we do our best to implement this Program and carry out the intent of the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

legislation and make this Program as effective as we can. Your testimony has been very useful and will have our attention and consideration as we move ahead in carrying out this Program. I want to thank you for your presentations this morning.

MS. WYDERKO: I want to thank all of you for your comprehensive and illuminating comments. I found them extremely helpful. We've got a huge challenge ahead. We've got to implement a very important Loan Guarantee Program, and we've got to do it in something under a month.

Your testimony has been very helpful to us as we ponder the critical issues that we now have to decide in implementing this Program. You've given us a very, very interesting perspective on how we can best use this Program to assist the steel industry, how the money should best be spent.

It's been a very informative morning. I thank you all for your time and your efforts in coming here.

MR. ORSZAG: Thank you.

(Whereupon, the above-entitled public meeting of the Emergency Steel Guarantee Loan Board was concluded at 11:20 a.m.)

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS
1323 RHODE ISLAND AVE., N.W.
WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com